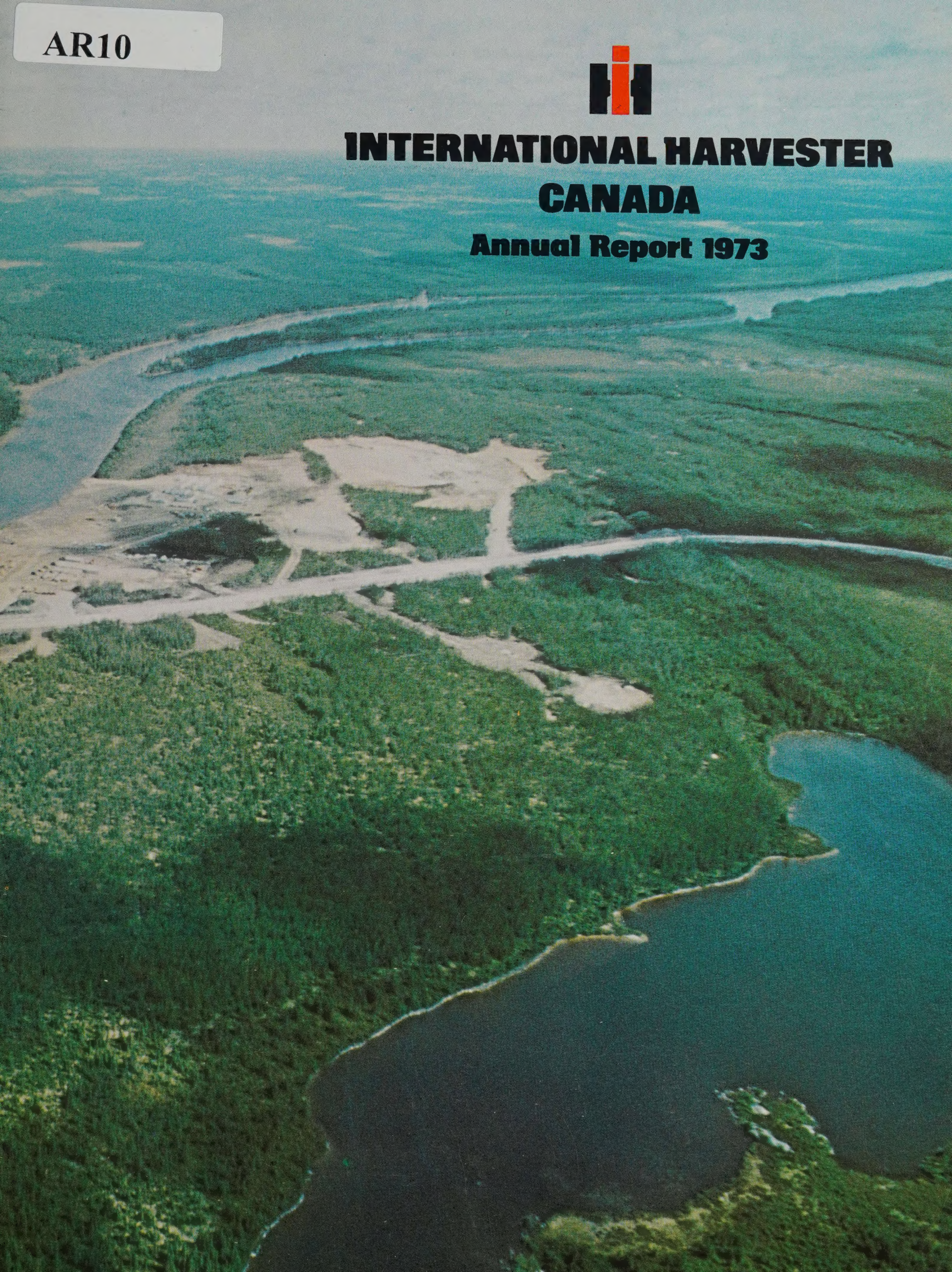


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INTERNATIONAL HARVESTER CANADA

Annual Report 1973





International Harvester Company of Canada, Limited

General Offices: 208 Hillyard Street, Hamilton, Ontario, L8N 3S5

Annual Report for the year ended October 31, 1973

International Harvester manufactures a unique range of power equipment. This includes trucks, agricultural, construction and industrial equipment and stationary turbine power units.

We are therefore deeply involved in such key economic sectors as transportation, agriculture, construction, natural resource development and service industries. Moreover, our recreation vehicles and garden care equipment makes us a growing part of the leisure life in Canada.

Our General Offices are in Hamilton and our four manufacturing plants are in Hamilton and Chatham, Ontario; Candiac, Quebec, and Vancouver, B.C.

Company-owned sales and service centres, dealers and distributors are located in hundreds of centres across Canada.

THE COVER — NORTHERN DEVELOPMENT

This panoramic view in the James Bay development area symbolizes the future of Canada. The foresighted development of northern resources is essential to the continuing prosperity of Canadians.

International Harvester is privileged to share in these epic projects, by providing a wide range of construction equipment and trucks. A primary thrust of the Company throughout the coming years will be to fully participate in such resource development projects.

Such a commitment is a part of our heritage as International Harvester has played a leading role in Canada's economic growth over the decades. Our agricultural equipment helped develop the West. Our trucks, construction equipment and industrial equipment have been very much involved in the growth of Canada's transportation, natural resource and construction industries.

Today's frontier lies to the north. Enormous power, petroleum, mineral and forest resources await development. The challenge is to realize this wealth, while safeguarding the environment. We at International Harvester look forward to playing a full part.

Financial Highlights

	1973	1972
Sales	✓ \$466,877,000	\$363,682,000
Net Income	✓ \$ 21,864,000	\$ 17,006,000
Per cent of Sales	4.68%	4.68%
Per cent of Shareholders' Equity — Beginning of Year	20.58%	17.41%
Dividends Paid	\$ 9,800,000	\$ 8,450,000
Income Retained	\$ 12,064,000	\$ 8,556,000
Taxes — Federal, Provincial and Local	\$ 43,033,000	\$ 34,205,000
Depreciation and Amortization	\$ 2,791,000	\$ 3,019,000
Capital Expenditures	\$ 2,832,000	\$ 1,561,000
Long-term Debt	\$ 112,000	\$ 347,000
Shareholders' Equity at End of Year	\$118,307,000	\$106,243,000
Average Number of Employees	6,510	5,667

Directors and Officers

at October 31, 1973

BOARD OF DIRECTORS

Charles C. Brannan	William R. Fleming
William E. Callahan	Lester W. Lincke
Charles R. Dean	W. Norman Smith
Earle L. Edmonds	John L. Wade

OFFICERS

W. Norman Smith	<i>President</i>
William R. Fleming	<i>Senior Vice President, Marketing</i>
Charles R. Dean	<i>Vice President, Manufacturing and Employee Relations</i>
Lester W. Lincke	<i>Vice President and Comptroller</i>
John L. Wade	<i>Vice President, Agricultural, Industrial and Construction Equipment Sales</i>
Earle L. Edmonds	<i>Secretary</i>
Edward R. Griffith	<i>Treasurer</i>

OTHER EXECUTIVES





Donald A. Brown	<i>Manager, Industrial Equipment Sales</i>
W. Norman Buckingham	<i>Manager, Public Relations</i>
William Haslam	<i>Manager, Real Estate and Facility Planning</i>
T. Donald Husband	<i>Manager, Truck Sales</i>
Alex R. McCombe	<i>Manager, Construction Equipment Sales</i>
Charles J. Munro	<i>Manager, Agricultural and Consumer Products Sales</i>
Lawrence J. Murphy	<i>Manager, Sales Finance</i>
Ronald E. Penfold	<i>Manager, Engineering</i>
Charles W. Wolfard	<i>Manager, Supply and Inventory</i>

Ce rapport est publié en français et en anglais. Si vous préférez un exemplaire français, veuillez écrire au Directeur des Relations publiques de la compagnie.



INTERNATIONAL HARVESTER CANADA







SALES & SERVICE CENTRES		
ALBERTA Calgary Drumheller Edmonton (2) Grande Prairie Lethbridge St. Paul	NEWFOUNDLAND St. John's	P.E.I. Charlottetown
B.C. Coquitlam Fort St. John Prince George Vancouver	ONTARIO Chatham Hamilton Kitchener London (2) Mississauga Newmarket North Bay Ottawa Peterborough Sarnia Scarborough Sudbury Thunder Bay Toronto (2) Tupperville	QUEBEC Montreal Quebec Ville d'Anjou
MANITOBA Transcona Winnipeg (2) Moncton		SASKATCHEWAN Balgonie Regina Saskatoon
CONSTRUCTION EQUIPMENT DISTRIBUTOR LOCATIONS		
ALBERTA Calgary Edmonton Grande Prairie	MANITOBA Brandon Winnipeg	ONTARIO London Ottawa Sault Ste. Marie Sudbury Thunder Bay Timmins Toronto
B.C. Cranbrook Nelson Prince George Terrace Vancouver Vernon Williams Lake	NEW BRUNSWICK Campbellton Fredericton Moncton Saint John	P.E.I. Charlottetown
	NEWFOUNDLAND Corner Brook Grand Falls St. John's	QUEBEC Boucherville Quebec Rouyn Port Cartier
	NOVA SCOTIA Halifax	SASKATCHEWAN Saskatoon
		YUKON Whitehorse

-  GENERAL OFFICES
-  MANUFACTURING PLANTS
-  REGIONAL SALES OFFICES
-  REGIONAL FINANCE OFFICES

Hamilton (Ont.)
Candiac (P.Q.)
Chatham (Ont.)
Hamilton (Ont.)
Vancouver (B.C.)

London (Ont.)
Montreal (P.Q.)
Quebec (P.Q.)
Toronto (Ont.)
Vancouver (B.C.)
Winnipeg (Man.)

Burlington (Ont.)
Edmonton (Alta.)
Montreal (P.Q.)

-  PARTS DISTRIBUTION CENTRES
-  (Sub-Depot)
-  MACHINE DISTRIBUTION CENTRES
-  SALES OFFICES
-  SOLAR POWER SUPPORT CENTRE
-  PACIFIC TRUCK & TRAILER LTD.

Burlington (Ont.)
Edmonton (Alta.)
Winnipeg (Man.)
Saskatoon (Sask.)

Hamilton (Ont.)
Transcona (Man.)

Edmonton (Alta.)
Saint John (N.B.)
Saskatoon (Sask.)
Winnipeg (Man.)

Edmonton (Alta.)

Vancouver (B.C.)

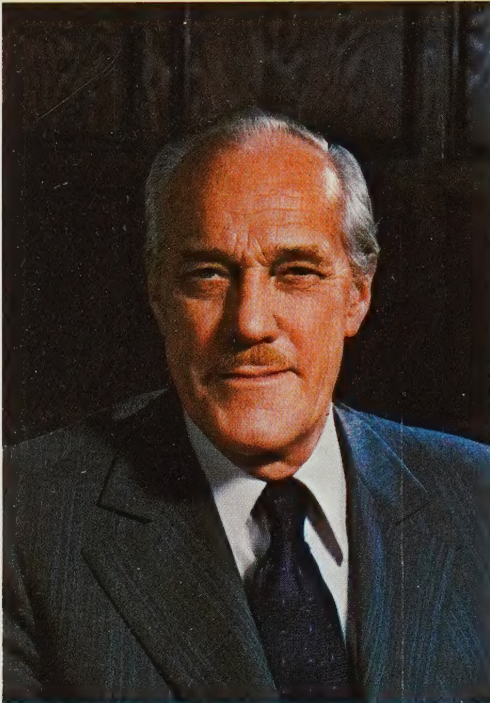
INTERNATIONAL HARVESTER DEALERS

Almost 600 independent businessmen across Canada sell and service our trucks, agricultural and industrial equipment and consumer products.

They are too numerous to pinpoint on this map, or identify by name. But they represent the strength and depth of our organization. They work closely with the people who use our products, providing sales engineering advice, arranging for financial services, and supplying after-sales parts and service support.

The loyalty of our customers is largely due to the knowledge and dedication of our dealers and their employees. Though their contribution cannot be shown on the balance sheet, they are one of our greatest assets.

President's Letter



International Harvester Canada attained new sales and profit records in 1973. The economic climate was good and domestic and export markets for all of our product lines held strong throughout the entire year. Sales exceeded \$450 million and net income exceeded \$21 million.

Only availability stood in the way of even higher sales of many of our products. While most of our manufacturing facilities were geared to high capacity, critical shortages of materials and components were a limiting factor in overall production.

During 1973 we took major steps to strengthen our position even further. Several important new products were introduced to broaden our already comprehensive product lines. Our marketing organization was restructured on a regional basis to better serve our broad distribution network. New company-owned sales and service centres were added and we continued to strengthen our dealer and distributor organizations to better provide a full scope of services to users, and to meet their equipment needs. 1973 saw the opening of a Solar Power Support Centre in Edmonton — a first for Canada — to serve the growing number of gas turbine users in this country.

As a result, we are in a strong position to meet our customers' needs and to take advantage of our marketing opportunities.

There is solid ground for confidence as we look to the future. With a heavy backlog of orders for all product lines, we expect demand to remain strong throughout 1974. However, aside from a continual uncertainty in product availability, external influences are making either short or long-range forecasting more difficult than ever before.

On the one hand there are many good reasons for optimism. We have a good economic climate. There is growing world demand for the food and raw materials produced by our agricultural and resource industries. Construction is expected to remain buoyant, partly as a result of major resource development projects. The growth of truck transportation will parallel or exceed the expansion of the economy as a whole. Increasing leisure time and personal income will provide excellent opportunities for recreation vehicles, lawn and garden equipment and other consumer products.

But several uncertainties must be resolved if Canada is to fulfill its exciting potential.

Inflation continues to cast a shadow over Canada's economic future. While this is a global phenomenon, strenuous efforts should be made to curtail its effect in Canada if we are to remain competitive as a world trader. As a manufacturer, International Harvester is faced with steadily rising costs for wages and materials.

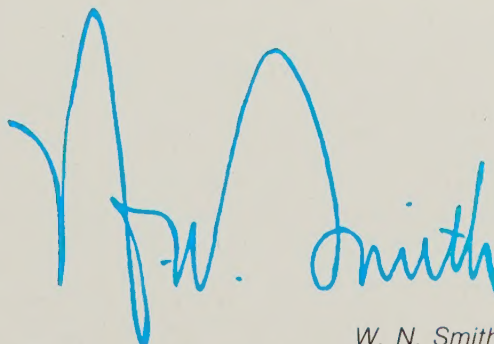
However, we are deeply conscious of the effects that higher equipment costs can have on the markets that use our products. We face severe competition in both the domestic and export markets. Many other Canadian companies face the same dilemma. Canada must resist any temptation to regard inflation as an unavoidable and incurable fact of life.

An energy shortage must obviously be of special concern to a company that manufactures such a broad range of power equipment. Trucks, agricultural, construction and industrial equipment are doing essential work in key industries. Any fuel shortage for production and distribution tools would have drastic consequences for the Canadian economy and our standard of living. In terms of priorities, the effects would be far more serious than the inconvenience that fuel curtailment could have for less essential purposes. This suggests the need for careful planning in the event of a serious shortage.

Moreover, the threat of an energy shortage dramatizes the need for full development of Canada's resources. This development can no longer be regarded as a matter of choice; the challenge is to meet our energy and other resource requirements while safeguarding the natural environment.

In these and many other areas, solutions will be found only with coordinated relationships between business and government. A harmonious effort with a long-range perspective is essential if Canada is to achieve its potential.

The dedicated efforts of our employees, dealers and distributors contributed greatly to our 1973 results and I am sure they will provide tremendous assistance in the future. On behalf of the Board of Directors, I express to them our deep sense of gratitude. To our customers and suppliers, our appreciation for their continued confidence and support.

A handwritten signature in blue ink, appearing to read 'W. N. Smith'. The signature is stylized with large, sweeping loops for the 'W' and 'S', and a more cursive 'N' and 'Smith'.

W. N. Smith

Marketing



William R. Fleming

1973 was a very good year for the industries using International Harvester products. We set new sales records for trucks, agricultural, construction and industrial equipment.

The outlook for the future is very promising, with a challenge to provide even more effective services to our markets. As a result, we have made extensive changes in our marketing structure during 1973, with sales, service and finance resources concentrated into regional organizations.

We continue to expand our nation-wide system of Company-owned sales and service centres, up from 28 to 40 in just three years. Twenty-seven of these facilities are specialized truck centres, the largest network in the industry.

Our dealers and distributors are the vital core of our retail organization. They also are developing their resources to meet the future needs of their customers. There is a strong trend to large full-service dealerships, that can offer in-depth assistance in product selection, parts and service support and financing.

These moves to strengthen our marketing organization will greatly benefit the Company and its customers during the challenging years ahead.

Challenge is certainly an appropriate word for the truck transportation industry as it paces the growth of the economy. And as a leader in heavy-duty trucks, we are fully involved in helping the industry respond to this challenge.

One of the reasons for the record truck sales in 1973 is the growing use of light-duty vehicles for camping, hunting and other outdoor activities. We recently introduced a new series of Scout and Travelall models and other light-duty units that are ideally suited for the recreation market.

During the past year we also launched a new series of the medium and medium-heavy Cargostar truck, a cab-over model manufactured at Chatham for inter-city and urban service.

Canada's agricultural industry has fully recovered from the slump of the late sixties, in response to an unlimited world demand for food. However there is continuing pressure on the farmer and rancher to hold production costs to the lowest possible level. So the trend to larger, more efficient farms continues, together with the need for high-production equipment. This is evident in the increasing preference for higher horsepower tractors. Five years ago, one quarter of farm tractors sold were over 80 horsepower, compared with 40 per cent today. We recently introduced a 225 horsepower tractor, the largest we have ever offered the farmer.



Truck transportation goes far beyond the movement of goods over the highway by tractor trailer. In its broadest sense, truck transportation is among Canada's pivotal industries. Trucks are also production tools in agriculture, construction and the resource industries. The production role is exemplified by this 5000 Paystar, moving logs on a forest haul road. The Paystar is engineered specifically for such demanding on-off highway service, where strength and endurance are at a premium. These qualities make it an ideal construction truck in cement mixer and dump applications.



Marketing (continued)



John L. Wade

The construction industry also looks for a continuation of the current boom. We can expect natural resources development to accelerate, particularly in view of the energy situation. There should also be a high level of activity in highway construction and urban development. This outlook promises strong demand for our construction and industrial equipment, trucks and turbine power engines.

Our sales of construction equipment to large fleets has steadily increased. The Pay loader line has retained its leadership in rubber-tired loaders and our big crawlers are making important gains. During 1973, we introduced a new series of dual-engine Pay scrapers, as well as new single engine models. We also unveiled new all-wheel drive Pay hauler off-highway trucks.

We are very encouraged by current sales increases for our industrial equipment line. Products introduced in recent years have won a very good response from contractors, utilities, land-scapers and other users. As a result, our excavators, crawlers, loaders and backhoes now command a substantial share of the market. There is also a large demand in the forest industry for specialized industrial equipment. 1973 saw the introduction of the Canadian-designed S-8 Pay logger.

To serve the consumer market we offer a wide choice of lawn and garden tractors and mowers, as well as a selection of snow blowers for the family driveway. Consumer acceptance for these products is most encouraging to the Company and our dealers.

Solar turbine engines provide another International Harvester market with enormous potential. Solar stationary power is a mainstay of the gas and oil industries. It is also widely used in hospitals, telephone centres, office complexes and other locations where a power failure could be serious.

Exports are vital to the Company as many of our Canadian products go to the United States and over 60 offshore countries. We are working strenuously to increase our exports, with the assistance of the IH worldwide marketing organization. We export trucks, agricultural equipment, crawler tractors and rubber-tired loaders to all parts of the world.

In summary, we expect the strong demand for our products to continue in the many markets we serve. The Company is in a better position than ever before to meet this demand and to make the most of its opportunities.



As our name suggests, International Harvester had its roots in agricultural equipment. Over the decades, we have played a leading part in the evolution of Canadian agriculture. While food production has always been the mainstay of the economy, it is often taken for granted. But with today's global food shortages, there is a new recognition of the farmer's role. This has given the Company and our dealers an even greater responsibility to provide reliable, high production equipment, and efficient parts and service support.



Manufacturing and Employee Relations



Charles R. Dean

During 1973, we undertook several far-ranging programs throughout our plants to meet product demand and achieve balanced production.

We recently completed a major expansion of our construction equipment plant in Candiach, Quebec. The plant facilities were increased by one-third, to help us keep pace with the market demand for Pay loaders and Pay loggers. Candiach is a fully integrated manufacturing operation that fabricates frames, bolsters, buckets, booms and other major components.

We purchased property adjacent to our truck plant in Chatham for continuing expansion of this 650,000 square foot facility. The Chatham plant produces two key series of medium and medium-heavy trucks for North American and offshore markets.

During the past year, there was an encouraging increase in employment at our Hamilton plant, that manufactures agricultural and industrial equipment.

Like many agricultural equipment plants, our Hamilton operation suffers from a traditional problem of seasonal production, due to the nature of the market. In 1973, we made progress towards our long-term goal of a balanced year-round operation. Several new products were introduced with a primary objective of providing continued employment in what traditionally has been the slack season. One example of these products is a series of heavy-duty snowblowers, that will generate additional employment on a balanced production schedule.

We are exploring other possible additions to the Hamilton plant product range that will be compatible with its facilities and capacity.

Employee relations functions cover a broad spectrum of responsibilities and are involved with all Company facilities. In labor relations, we deal with seven unions and 26 locals. During 1974 the contracts will expire with the unions that represent a majority of the manufacturing employees.

At every Company operation, safe working conditions and practices are recognized as a high priority, managerial concern. Increased activities to improve the awareness of all factors related to safety are being made throughout the organization.



The S8 Pay logger is our most recent response to the forest industry's need for efficient, high production equipment. This need grows greater with the shortage of woodland manpower. The wood pulp and the lumber industries have unlimited potential. This is particularly true with today's harvesting techniques, that make forests a renewable resource with an infinite future. One of International Harvester's primary objectives is to play a larger role in these basic Canadian industries, that contribute so much to the wealth of the nation.



Corporate



Earle L. Edmonds

Among the changes that 1973 brought to the Company is the adoption of a new designation — International Harvester Canada. While International Harvester Company of Canada, Limited remains as our legal corporate identity and will be used for all transactions, the new designation will be used in those circumstances where brevity is beneficial.

The new identification reflects our close relationship with Canada since the turn of the century. And it portrays our involvement in the many Canadian communities where we have plants, offices, distribution centres and retail outlets.

Moreover, it reaffirms the commitment made when the Company was formed in 1903. A commitment to play a full part in the economic development of Canada. And a commitment to the thousands of Canadians in key industries who use our products.

During 1973, Robert H. Burnside resigned as a director, upon his retirement from International Harvester Company.

Donald A. Brown was appointed Manager, Industrial Equipment Sales.



Ronald E. Penfold

Research and Development

International Harvester products are used by our customers essentially to produce revenue. We appreciate therefore, our responsibility to design equipment that is in keeping with the productivity needs of the users and that offers reliability and value.

During 1973, work was completed on several products by the research and development centre in Hamilton. In addition to new machines for the Hamilton plant, the centre completed the design and engineering of the S8 Pay logger for manufacture at our Candiatic plant.

A new line of manure spreaders was developed for manufacture at Hamilton for the North American and overseas markets.

We also designed a new loader, to fit competitive as well as IH tractors. It is the largest loader we have ever developed for the agricultural market.

A series of heavy-duty snowblowers, primarily for farm applications, has been developed and is now in production at Hamilton. This product represents a new departure for International Harvester.

Our truck engineers at the Chatham plant completed major refinements of the Cargostar cab-over series. Chatham engineering has responsibility for this model which is shipped to many markets in North America and overseas.

In addition, our design engineers modified several products to adapt them to export markets. Moreover, they are active in a continuing program of product improvement, and studies to reduce product cost without impairing performance and quality.



Construction equipment has a larger role than ever before, as Canada accelerates the development of its natural resources. Machines such as this TD-25C are the keys that will unlock the north. The James Bay development and similar projects would be inconceivable without high production crawlers, loaders, off-highway haulers and other construction equipment. Moreover, only with such machines can access roads be built through the wilderness to development sites. International Harvester is achieving growing participation in such projects. Major involvement in northern development is a key IH objective for the years ahead.



Financial Review



Lester W. Lincke



Edward R. Griffith

Sales were \$466,877,000, a gain of 28% above the previous record year of \$363,682,000. All activities of the business participated in the increased volume.

Costs and expenses, including all forms of taxes, also rose 28% to \$449,647,000 from \$350,172,000 in 1972. The Company's higher costs and expenses reflect a higher volume of business. The advantages gained through additional volume were offset by increases in virtually all the goods and services we require to run our business.

Consolidated net income for the year ended October 31, 1973 amounted to \$21,864,000 or 29% above the previous high of \$17,006,000 earned in 1972. This is the highest profit in International Harvester Canada's 70 year history and reflects the third successive year of increased earnings.

The growth of our finance subsidiaries has paralleled that of the Company. Earnings of International Harvester Credit Corporation of Canada Limited were a record \$3,527,000 which is 34% above 1972 earnings of \$2,626,000.

Capital expenditures made by the Company and its leasing subsidiary rose by 105% to \$4,940,000 compared with 1972 expenditures of \$2,404,000. The significant increase in expenditures is necessary to keep pace with our expanding business and also supports our confidence in the Canadian markets.

Leasing Subsidiary

The income of this subsidiary in 1973 was \$112,069. This compares with \$47,979 in 1972. Summary statements of financial condition for Harcan Leasing Limited at October 31, 1973 and 1972 follow:

	1973	1972
Assets		
Lease income receivable	\$ 1,834,696	\$ 766,120
Deferred finance charges	1,232,679	718,777
Equipment and property leased to parent and dealers	4,153,380	1,908,305
Leased vehicles	9,091,614	5,121,903
Accumulated depreciation	(3,822,195)	(1,403,964)
Other assets	25,367	25,701
Total Assets	\$ 12,515,541	\$ 7,136,842
Liabilities		
Bank indebtedness	\$ 3,000,000	\$ 1,000,000
Notes and accounts payable to parent and affiliated companies	8,818,450	5,790,303
Other liabilities	316,205	67,723
Total Liabilities	12,134,655	6,858,026
Shareholders' equity (includes capital stock — \$239,000)	380,886	278,816
	\$ 12,515,541	\$ 7,136,842

Employment

The Company's average employment was 6,510 in 1973. This compares with 5,667 in 1972.

Compensation paid to employees in 1973 totalled \$66,071,000 (1972 — \$54,143,000) with an additional amount in 1973 of approximately \$11,500,000 (1972 — \$10,000,000) paid out for insurance, medical and pension plans and other fringe benefits.

Property, Plant and Equipment

Capital expenditures of the Company totalled \$2,832,000 for the current fiscal year as compared with \$1,561,000 for the previous year.

Commitments on appropriations in progress at October 31, 1973 approximated \$1,481,000.

Property, plant and equipment by major classes are as follows:

	1973	1972
Buildings, machinery and equipment, at cost:		
Manufacturing	\$ 46,350,000	\$ 45,719,000
Distribution	16,626,000	16,339,000
Other	466,000	483,000
Total	63,442,000	62,541,000
Less accumulated depreciation	42,964,000	41,190,000
Net	20,478,000	21,351,000
Tooling and pattern equipment at cost, less amortization	1,172,000	442,000
Land	1,640,000	1,707,000
Net Property	\$ 23,290,000	\$ 23,500,000

Prior to 1972, tooling and pattern equipment expenditures were charged to expense.

Statutory Information

The remuneration paid to directors and senior officers, as defined in The Business Corporations Act, Ontario, for the year ended October 31, 1973 amounted to \$308,000 (1972 — \$334,000).

Inventories

Total inventories of finished goods, raw materials and supplies, and work in process increased from \$65,988,000 in 1972 to \$85,532,000 in 1973. The average level of inventories was \$82,992,000 this year, up from \$68,810,000 last year. Higher inventory levels were required to support the increased volume of sales.

Inventories are summarized by major classifications as follows:

	1973	1972
Finished goods	\$ 50,510,000	\$ 43,711,000
Raw materials and supplies	24,603,000	15,760,000
Work in process	10,419,000	6,517,000
Total	\$ 85,532,000	\$ 65,988,000

Retirement Plans

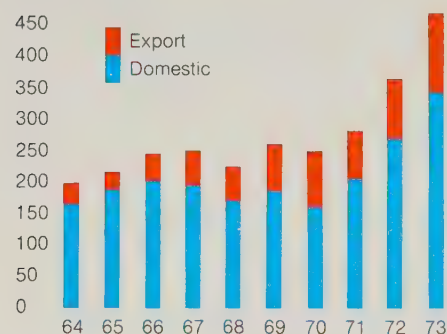
The Company has retirement plans in effect for eligible salaried and hourly-rated employees. Total pension expense for the years 1973 and 1972 was \$4,162,000 and \$3,263,000 respectively. Based on accepted actuarial methods, an experience surplus has been created of which approximately \$50,000 and \$212,000 has been used to reduce Company contributions to the plans during 1973 and 1972. Pension costs are computed on the basis of accepted actuarial methods and include amortization of past service costs which are being funded over twenty-five years from January 1, 1965. The actuarially computed unfunded liability in respect of past service benefits at October 31, 1973 was \$20,767,000 of which \$19,800,000 was vested in accordance with the terms of the plans but for which the Company does not have a legal obligation.

Income Taxes

Tax audits have been completed and settled through 1971.

SALES

Millions of dollars

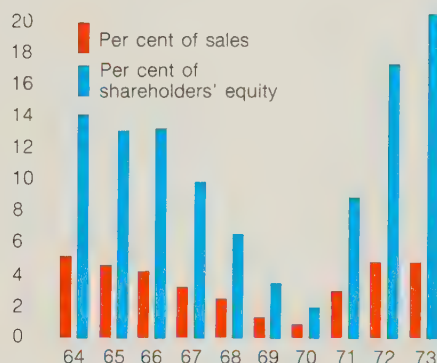


NET INCOME

Millions of Dollars

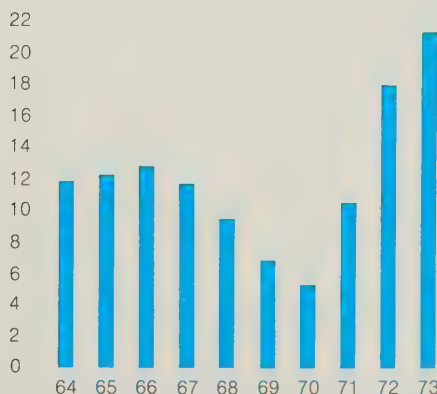


RETURN ON SALES AND EQUITY



WORKING CAPITAL ADDED BY OPERATIONS

Millions of dollars



**Statement of Income and Income Retained**

For the Years Ended October 31, 1973 and 1972

	1973	1972
SALES AND OTHER REVENUES		
Sales		
Dealers and users in Canada	\$338,414,501	\$266,681,206
International Harvester Company	125,242,106	93,016,153
Other affiliated companies and jobbers	3,220,419	3,984,261
	466,877,026	363,681,620
Other income, less sundry income deductions	994,235	821,938
TOTAL	467,871,261	364,503,558
COSTS AND EXPENSES		
Cost of sales	396,944,144	305,813,623
Selling and administrative expenses	30,287,668	26,500,308
Charges for financing services on wholesale notes sold to the finance subsidiary	6,402,964	4,677,527
Interest expense	497,174	351,372
Taxes on income (page 15)	15,515,132	12,828,726
TOTAL	449,647,082	350,171,556
INCOME OF CONSOLIDATED GROUP	18,224,179	14,332,002
INCOME OF FINANCE SUBSIDIARIES (pages 14 and 21)	3,639,419	2,673,574
NET INCOME	21,863,598	17,005,576
DIVIDENDS PAID	9,800,000	8,450,000
INCOME RETAINED — FOR THE YEAR	12,063,598	8,555,576
— AT BEGINNING OF THE YEAR	91,243,326	82,687,750
— AT END OF THE YEAR	\$103,306,924	\$ 91,243,326

The Financial Review on pages 14 and 15 and the Summary of Accounting Policies on page 20 are an integral part of this statement.

**Statement of Financial Condition**

October 31, 1973 and 1972

	1973	1972
ASSETS		
CURRENT ASSETS		
Cash	\$ 103,099	\$ 107,807
Marketable securities — at cost which approximates market	—	2,981,053
Accounts receivable — less allowances	27,842,654	20,503,335
Accounts receivable from affiliated companies	288,387	243,350
Notes and accounts receivable from finance subsidiaries	6,288,904	10,336,748
Deferred income taxes	1,525,068	1,269,097
Inventories (page 15)	85,531,874	65,987,717
TOTAL CURRENT ASSETS	121,579,986	101,429,107
EQUITY IN FINANCE SUBSIDIARIES (pages 14 and 19)	21,917,862	18,688,442
OTHER ASSETS	3,850,570	4,101,230
PROPERTY, PLANT AND EQUIPMENT		
At cost, less depreciation and amortization (page 15)	23,290,111	23,499,665
TOTAL ASSETS	\$170,638,529	\$147,718,444
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Bank indebtedness	\$ 15,038,248	\$ 6,480,914
Current invoices, payrolls and accruals	30,041,067	20,396,449
Accrued taxes	4,486,214	9,792,043
Current maturities of long-term debt	234,800	1,648,325
Amounts due to affiliated companies	1,677,246	2,350,585
TOTAL CURRENT LIABILITIES	51,477,575	40,668,316
LONG-TERM DEBT		
5¼% notes — maturing November 1, 1973 payable in equal semi-annual instalments	—	200,000
6% debenture — maturing November 15, 1977 payable in monthly instalments	112,200	147,000
TOTAL LONG-TERM DEBT	112,200	347,000
DEFERRED INCOME TAXES	741,830	459,802
SHAREHOLDERS' EQUITY		
Capital stock		
Authorized, issued and fully paid — 150,000 common shares of \$100 par value	15,000,000	15,000,000
Income retained	103,306,924	91,243,326
TOTAL SHAREHOLDERS' EQUITY	118,306,924	106,243,326
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$170,638,529	\$147,718,444

Approved by the Board: W. N. Smith, Director
L. W. Lincke, Director

The Financial Review on pages 14 and 15 and the Summary of Accounting Policies on page 20 are an integral part of this statement.

**Statement of Changes in Financial Position**

For the Years Ended October 31, 1973 and 1972

	1973	1972
SOURCE OF WORKING CAPITAL		
Income of consolidated group	\$ 18,224,179	\$ 14,332,002
Dividends from finance subsidiaries	410,000	610,000
Items not requiring outlay of working capital		
Depreciation and amortization	2,791,463	3,019,323
Deferred income taxes	26,057	(453,347)
Other	110,950	135,950
Working capital provided from operations	21,562,649	17,643,928
Property disposals	250,094	657,524
TOTAL	21,812,743	18,301,452
APPLICATION OF WORKING CAPITAL		
Capital expenditures	2,832,003	1,561,214
Dividends paid	9,800,000	8,450,000
Reduction in long-term debt	234,800	1,651,225
Other — net	(395,680)	(226,646)
TOTAL	12,471,123	11,435,793
INCREASE IN WORKING CAPITAL	9,341,620	6,865,659
WORKING CAPITAL — AT BEGINNING OF THE YEAR	60,760,791	53,895,132
— AT END OF THE YEAR	\$ 70,102,411	\$ 60,760,791
CHANGES IN WORKING CAPITAL		
Cash	\$ (4,708)	\$ (304,474)
Marketable securities	(2,981,053)	(13,989,739)
Notes and accounts receivable	3,336,512	10,651,846
Deferred income taxes	255,971	448,097
Inventories	19,544,157	16,200,140
Bank indebtedness	(8,557,334)	(5,080,914)
Current invoices, payrolls and accruals	(9,644,618)	(5,264,116)
Accrued taxes	5,305,829	(1,552,610)
Current maturities of long-term debt	1,413,525	542,350
Amounts due to affiliated companies	673,339	5,215,079
INCREASE IN WORKING CAPITAL	\$ 9,341,620	\$ 6,865,659

The Financial Review on pages 14 and 15 and the Summary of Accounting Policies on page 20 are an integral part of this statement.



Statement of Financial Condition

October 31, 1973 and 1972

	1973	1972
ASSETS		
Cash	\$ —	\$ 49,115
Notes receivable		
Retail (less unearned finance charges of \$14,883,001 in 1973 and \$12,972,535 in 1972)	95,406,515	79,806,569
Wholesale (less deferred discounts of \$513,489 in 1973 and \$486,706 in 1972)	63,863,176	58,532,269
Allowance for losses	(1,872,704)	(1,871,944)
Notes receivable (net)	157,396,987	136,466,894
Accounts receivable from affiliated company	8,610,189	5,229,762
Deferred income taxes	922,000	940,000
Prepaid interest and other assets	540,476	324,848
TOTAL ASSETS	\$167,469,652	\$143,010,619
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Notes and loans due within one year	\$ 75,243,258	\$ 63,354,868
Notes payable to parent company	400,000	2,100,000
Accounts payable (including parent company of \$5,680,643 in 1973 and \$7,676,207 in 1972)	6,029,401	7,908,574
Dealers' contingency credits	1,551,914	1,265,220
Accrued taxes	1,122,037	428,754
Accrued interest	1,367,753	1,107,404
Current maturities of long-term debt	5,732,500	5,217,860
Long-term debt (page 21)	54,485,813	43,218,313
TOTAL LIABILITIES	145,932,676	124,600,993
SHAREHOLDERS' EQUITY		
Capital stock		
Authorized — 250,000 common shares of \$100 par value		
Issued and fully paid — 100,000 shares	10,000,000	10,000,000
Income retained (page 21)	11,536,976	8,409,626
TOTAL SHAREHOLDERS' EQUITY	21,536,976	18,409,626
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$167,469,652	\$143,010,619

Approved by the Board: W. N. Smith, *Director*
W. R. Fleming, *Director*

The Summary of Accounting Policies on page 21 is an integral part of this statement.

Auditors' Report

DELOITTE, HASKINS & SELLS

Offices across Canada and associated firms throughout the world Chartered Accountants

105 MAIN STREET EAST HAMILTON, ONTARIO

To the Shareholders of
International Harvester Company of Canada, Limited:

We have examined the financial statements of International Harvester Company of Canada, Limited and subsidiaries as at October 31, 1973 and 1972 and for the years then ended. We have made a similar examination of the financial statements of the Company's wholly-owned non-consolidated finance subsidiaries. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements (pages 14 through 21) present fairly (a) the financial position of International Harvester Company of Canada, Limited and subsidiaries as at October 31, 1973 and 1972 and the results of their operations and changes in their financial position for the years then ended, and (b) the financial position of the Company's wholly-owned non-consolidated finance subsidiaries as at October 31, 1973 and 1972, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

November 28, 1973

Deloitte, Haskins & Sells

Summary of Accounting Policies



INTERNATIONAL HARVESTER COMPANY OF CANADA, LIMITED and Subsidiaries

Consolidation Policy

Pacific Truck and Trailer Manufacturing Limited is consolidated in this report. The net income of the wholly-owned finance subsidiaries, International Harvester Credit Corporation of Canada Limited and Harcan Leasing Limited, and their income retained are combined herein with the consolidated group. The equity capital of these subsidiaries appears as an investment in the Statement of Financial Condition. A separate Statement of Financial Condition of International Harvester Credit Corporation of Canada Limited appears on page 19. Investments in co-dealerships are carried at cost.

Foreign Exchange

Current assets and current liabilities at October 31, 1973 are translated at the year end exchange rates.

Inventory Valuation

Inventories are valued at the lower of cost or market, market being considered as replacement cost, which does not exceed net realizable value.

Depreciation and Amortization

Depreciation and amortization is generally computed on a straight-line basis over the useful lives of the properties.

Deferred Income Taxes

The Company and its subsidiaries follow the accounting practice of providing the total amount of income taxes applicable to the income reported in the year regardless of the year in which the income taxes are actually payable.

Summary of Accounting Policies (continued)



INTERNATIONAL HARVESTER CREDIT CORPORATION OF CANADA LIMITED

Foreign Exchange

Current assets and current liabilities at October 31, 1973 are translated at the year end exchange rates. Long-term debt is translated at the historic rate in effect at the time of incurring the debt.

Receivables

At October 31, 1973 wholesale notes receivable include \$3,070,592 which will mature after October 31, 1974, of which none will mature after October 31, 1975 and retail notes receivable include \$67,368,347 maturing after October 31, 1974, of which \$28,084,547 will mature after October 31, 1975.

Deferred Income Taxes

The Company follows the accounting practice of providing the total amount of income taxes applicable to the income reported in the year regardless of the year in which the income tax is actually payable.

Long-term Debt

	1973	1972
Senior indebtedness — notes and debentures — 5¾% to 10% due 1993 or prior	\$ 43,375,000	\$ 34,107,500
Subordinated indebtedness — notes — 6% to 7¾% due 1984 or prior (includes \$6,600,000 U.S. funds due to affiliates)	11,110,813	9,110,813
	<u>\$ 54,485,813</u>	<u>\$ 43,218,313</u>

Dividend distribution under the provisions of the loan agreements relating to the senior and subordinated indebtedness is restricted to approximately \$3,315,000 at October 31, 1973 and \$4,200,000 at October 31, 1972.

Net Income

Earnings on wholesale notes are derived from carrying charges based on the monthly note balances and from a discount which the Company takes into income upon settlement of the notes. Finance charges included in retail notes are taken into income over the life of the notes.

Summary of Income and Income Retained

Income and income retained for the fiscal years ended October 31, 1973 and 1972 are set forth in the following summary:

	1973	1972
Income from operations	\$ 18,868,197	\$ 14,290,638
Operating expenses	(2,390,411)	(2,421,568)
Interest expense	(9,309,190)	(6,830,661)
Income taxes		
— current	(3,623,246)	(2,453,814)
— deferred	(18,000)	41,000
Net income	<u>3,527,350</u>	<u>2,625,595</u>
Income retained — beginning of year	8,409,626	6,384,031
Dividends paid	(400,000)	(600,000)
Income retained — end of year	<u>\$ 11,536,976</u>	<u>\$ 8,409,626</u>

**Statistical Data** (Dollar amounts in millions)

	1973	1972	1971	1970	1969	1968	1967	1966
SALES BY AREA OF FINAL SALE								
Canada	\$338.4	\$266.7	\$202.1	\$158.7	\$184.4	\$169.0	\$193.8	\$200.9
United States	125.2	93.0	74.2	88.7	74.5	51.7	53.7	42.6
Europe and Africa	1.6	1.9	.6	.4	.3	.9	.8	.4
Latin America	.7	.9	.3	1.0	1.1	.7	.6	.5
Pacific Area	1.0	1.2	1.7	.5	.6	.9	1.1	1.3
Total	\$466.9	\$363.7	\$278.9	\$249.3	\$260.9	\$223.2	\$250.0	\$245.7
NET INCOME								
Amount	\$ 21.9	\$ 17.0	\$ 8.2	\$ 2.0	\$ 3.3	\$ 5.6	\$ 8.0	\$ 10.2
Per cent of sales	4.68%	4.68%	2.93%	.81%	1.25%	2.51%	3.21%	4.15%
Per cent of shareholders' equity beginning of year	20.58%	17.41%	8.92%	2.25%	3.63%	6.52%	9.87%	13.28%
WORKING CAPITAL CHANGES								
From operations	\$ 21.6	\$ 17.6	\$ 10.9	\$ 5.3	\$ 6.9	\$ 9.5	\$ 11.8	\$ 12.9
Added by increase in long-term debt	—	—	—	.2	—	3.5	—	—
Net effect of changes in other assets, etc.	.5	1.0	.8	(1.5)	.1	.3	.2	(1.2)
Total	22.1	18.6	11.7	4.0	7.0	13.3	12.0	11.7
Used for:								
Capital expenditures	2.8	1.6	1.6	3.8	4.3	3.7	7.6	5.8
Dividends paid	9.8	8.5	2.2	.6	2.9	1.6	3.6	5.6
Retirement of long-term debt	.2	1.6	2.2	1.9	1.9	—	.8	.4
Total	12.8	11.7	6.0	6.3	9.1	5.3	12.0	11.8
Increase or (decrease)	\$ 9.3	\$ 6.9	\$ 5.7	\$ (2.3)	\$ (2.1)	\$ 8.0	\$ —	\$ (1.1)
DEPRECIATION AND AMORTIZATION	\$ 2.8	\$ 3.0	\$ 3.4	\$ 3.7	\$ 4.5	\$ 4.6	\$ 4.2	\$ 3.2
SHAREHOLDERS' EQUITY AT END OF YEAR — OCTOBER 31								
Capital stock	\$ 15.0	\$ 15.0	\$ 15.0	\$ 15.0	\$ 15.0	\$ 15.0	\$ 15.0	\$ 15.0
Income retained	103.3	91.2	82.7	76.7	75.3	74.8	70.8	66.4
Total shareholders' equity	\$118.3	\$106.2	\$ 97.7	\$ 91.7	\$ 90.3	\$ 89.8	\$ 85.8	\$ 81.4
REPRESENTED BY								
Current assets	\$121.6	\$101.4	\$ 88.4	\$ 81.6	\$ 77.8	\$ 78.6	\$ 65.3	\$ 66.7
Less: Current liabilities	51.5	40.7	34.5	33.4	27.3	26.0	20.7	22.1
Working capital	70.1	60.7	53.9	48.2	50.5	52.6	44.6	44.6
Net property	23.3	23.5	25.6	29.0	29.5	29.8	31.0	27.7
Equity in finance subsidiaries	21.9	18.7	16.6	15.5	15.1	14.2	13.6	13.1
Other assets	3.9	4.1	4.0	3.8	1.6	1.5	1.6	1.6
Total	119.2	107.0	100.1	96.5	96.7	98.1	90.8	87.0
Less:								
Long-term debt	.1	.3	2.0	4.2	5.9	7.7	4.2	5.0
Deferred income taxes	.8	.5	.4	.6	.5	.6	.8	.6
Total	.9	.8	2.4	4.8	6.4	8.3	5.0	5.6
Total net assets	\$118.3	\$106.2	\$ 97.7	\$ 91.7	\$ 90.3	\$ 89.8	\$ 85.8	\$ 81.4
RATIOS								
Current assets to current liabilities	2.4-1	2.5-1	2.6-1	2.4-1	2.9-1	3.0-1	3.2-1	3.0-1
Shareholders' equity to total liabilities	2.3-1	2.6-1	2.7-1	2.4-1	2.7-1	2.7-1	3.4-1	3.0-1

Power . . .

The range of products indicated on these pages illustrates the involvement of IH power equipment in our way of life.



1970	1969	1968	1967	1966	1965	1964
\$158.7	\$184.4	\$169.0	\$193.8	\$200.9	\$186.5	\$170.1
88.7	74.5	51.7	53.7	42.6	25.0	22.6
.4	.3	.9	.8	.4	.4	.7
1.0	1.1	.7	.6	.5	.6	.9
.5	.6	.9	1.1	1.3	1.1	1.1
<u>\$249.3</u>	<u>\$260.9</u>	<u>\$223.2</u>	<u>\$250.0</u>	<u>\$245.7</u>	<u>\$213.6</u>	<u>\$195.4</u>
\$ 2.0	\$ 3.3	\$ 5.6	\$ 8.0	\$ 10.2	\$ 9.8	\$ 9.9
.81%	1.25%	2.51%	3.21%	4.15%	4.59%	5.07%
2.25%	3.63%	6.52%	9.87%	13.28%	13.12%	14.10%
\$ 5.3	\$ 6.9	\$ 9.5	\$ 11.8	\$ 12.9	\$ 12.4	\$ 12.0
.2	—	3.5	—	—	—	—
(1.5)	.1	.3	.2	(1.2)	.2	(.6)
<u>4.0</u>	<u>7.0</u>	<u>13.3</u>	<u>12.0</u>	<u>11.7</u>	<u>12.6</u>	<u>11.4</u>
3.8	4.3	3.7	7.6	5.8	4.0	3.0
.6	2.9	1.6	3.6	5.6	7.7	5.4
1.9	1.9	—	.8	.4	.8	.8
<u>6.3</u>	<u>9.1</u>	<u>5.3</u>	<u>12.0</u>	<u>11.8</u>	<u>12.5</u>	<u>9.2</u>
\$ (2.3)	\$ (2.1)	\$ 8.0	\$ —	\$ (1)	\$.1	\$ 2.2
<u>\$ 3.7</u>	<u>\$ 4.5</u>	<u>\$ 4.6</u>	<u>\$ 4.2</u>	<u>\$ 3.2</u>	<u>\$ 2.8</u>	<u>\$ 2.5</u>
\$ 15.0	\$ 15.0	\$ 15.0	\$ 15.0	\$ 15.0	\$ 15.0	\$ 15.0
<u>76.7</u>	<u>75.3</u>	<u>74.8</u>	<u>70.8</u>	<u>66.4</u>	<u>61.8</u>	<u>59.7</u>
<u>\$ 91.7</u>	<u>\$ 90.3</u>	<u>\$ 89.8</u>	<u>\$ 85.8</u>	<u>\$ 81.4</u>	<u>\$ 76.8</u>	<u>\$ 74.7</u>
\$ 81.6	\$ 77.8	\$ 78.6	\$ 65.3	\$ 66.7	\$ 69.8	\$ 65.5
<u>33.4</u>	<u>27.3</u>	<u>26.0</u>	<u>20.7</u>	<u>22.1</u>	<u>25.1</u>	<u>20.9</u>
48.2	50.5	52.6	44.6	44.6	44.7	44.6
29.0	29.5	29.8	31.0	27.7	25.3	24.2
15.5	15.1	14.2	13.6	13.1	11.6	11.3
<u>3.8</u>	<u>1.6</u>	<u>1.5</u>	<u>1.6</u>	<u>1.6</u>	<u>1.1</u>	<u>1.1</u>
<u>96.5</u>	<u>96.7</u>	<u>98.1</u>	<u>90.8</u>	<u>87.0</u>	<u>82.7</u>	<u>81.2</u>
4.2	5.9	7.7	4.2	5.0	5.4	6.2
.6	.5	.6	.8	.6	.5	.3
<u>4.8</u>	<u>6.4</u>	<u>8.3</u>	<u>5.0</u>	<u>5.6</u>	<u>5.9</u>	<u>6.5</u>
<u>\$ 91.7</u>	<u>\$ 90.3</u>	<u>\$ 89.8</u>	<u>\$ 85.8</u>	<u>\$ 81.4</u>	<u>\$ 76.8</u>	<u>\$ 74.7</u>
2.4-1	2.9-1	3.0-1	3.2-1	3.0-1	2.8-1	3.1-1
2.4-1	2.7-1	2.7-1	3.4-1	3.0-1	2.5-1	2.8-1



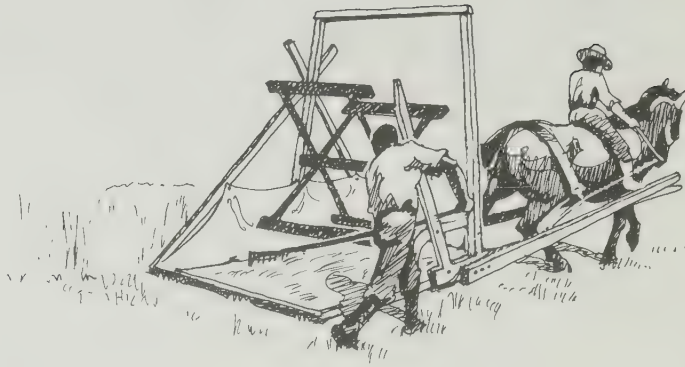
AR10



INTERNATIONAL HARVESTER CANADA



The beginning of a company



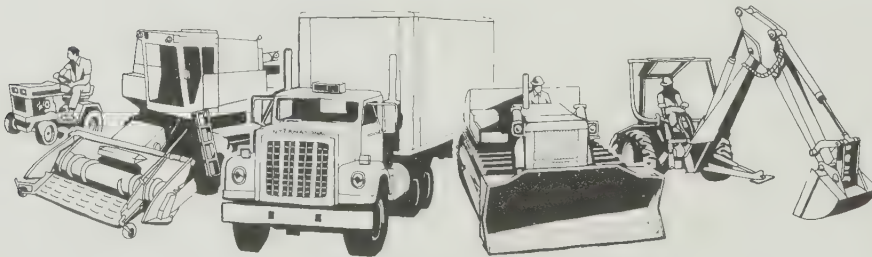
Throughout history the harvesting of grain had been the bottleneck to abundant food production. For thousands of years, grain was slowly and laboriously hand-cut with a sickle or a scythe. There was little real progress for 5,000 years. Until a faster way could be found to harvest grain, there was no real incentive to seek better tillage and planting methods.

Then, in 1831, the bottleneck was broken when Cyrus Hall McCormick demonstrated the first successful reaper. It contained some of the basic principles found in grain harvesters of today. McCormick spent several years in improving his first reaper and in 1846 established a factory in Chicago.

To meet demand and maintain quality, he devised standardized manufacturing methods. He was the first to back a product with broad guarantees, the first to provide a repair parts service and the first to offer credit. Reapers were soon working throughout the United States, Canada and Europe.

The success of the reaper brought a flood of other new farm implements. McCormick added various machines to his line. Many companies, possibly 2,000 at one time, entered the business of manufacturing agricultural equipment.

The two leading manufacturers at the turn of the century were the McCormick organization and the Deering Harvester Company. In 1902 these two companies combined with three smaller firms to form the International Harvester Company. The name was a logical choice, well-suited to the principal product of the time and to a main reason for the new organization — to more effectively serve worldwide markets.



International Harvester Canada

When International Harvester Canada was formed in 1903, agriculture was the mainstay of both the nation and the company.

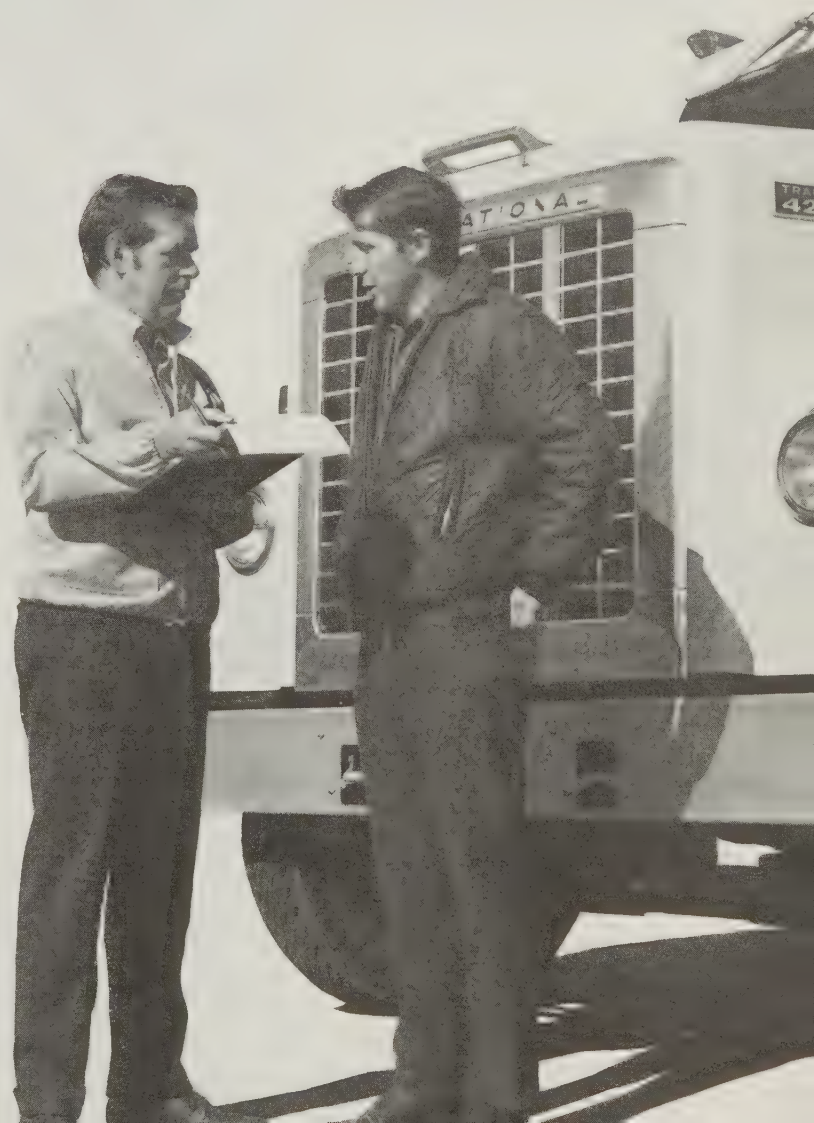
At that time, the majority of Canadians still lived on the land. The production of agricultural equipment had already become a large manufacturing industry. Over the decades, farm productivity steadily improved with the assistance of new equipment and the introduction of tractor power. Today fewer than seven per cent of Canadians live on farms. While the company is still very much involved in agriculture, it has diversified into many other fields as the needs of Canada changed.

The first International trucks were made in 1907. By the mid-twenties, IH was building trucks in Canada. At about the same time, the first International construction equipment was produced. The mid-fifties saw the introduction of the first line of International industrial equipment. A more recent diversification put the company into the gas turbine stationary power field. We are also in the consumer market, with a broad range of recreation vehicles, as well as outdoor power equipment.

In seventy years, International Harvester Canada has evolved from being a manufacturer of agricultural equipment to a highly diversified company involved in many key segments of the economy; transportation, agriculture, mining, petroleum, forest industries, utilities and recreation.

In addition to our Hamilton Plant, which produces agricultural and industrial equipment, we have truck plants in Chatham, Ontario, and Vancouver, B.C., and a construction and logging equipment plant in Candiach, Quebec. About two-thirds of our total production is exported.

Some 4,400 employees work in our four manufacturing plants. Others are with IH sales and service centres, parts distribution centres, sales offices and other facilities in 40 Canadian communities. Total average employment is 7,000. An equal number of people work with the 600 dealers and distributors who represent the company across the length and breadth of Canada. With domestic and export sales well over the half-billion dollar mark, International Harvester Canada is a large and growing factor in the nation's economy. Because it is part of industries that will play a crucial role in Canada's future, the company's outlook promises continuing growth.



Our products work in essential industries where schedules depend on reliable, productive equipment.

Transportation

Trucks move over half of Canada's total freight. International Harvester provides a full range of models to meet the many individual needs and conditions.

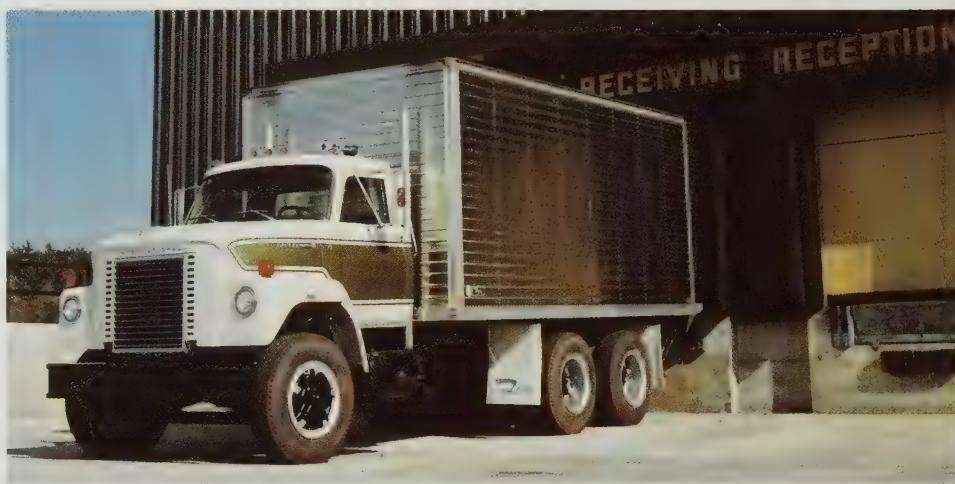
Here the Transtar II is shown in a typical highway hauling application.

The Fleetstar is adaptable to many requirements. Shown with a van-type body, it is also widely used in tractor-trailer operations.

The Loadstar truck, shown hauling grain from a combine, is a popular model on many farms.

The Cargostar is designed to operate in city traffic where maneuverability is especially important.

The truck operator requires a full range of services, from sales engineering assistance to parts and service support. International truck dealers and company centres are located across Canada to provide those services.



Product development

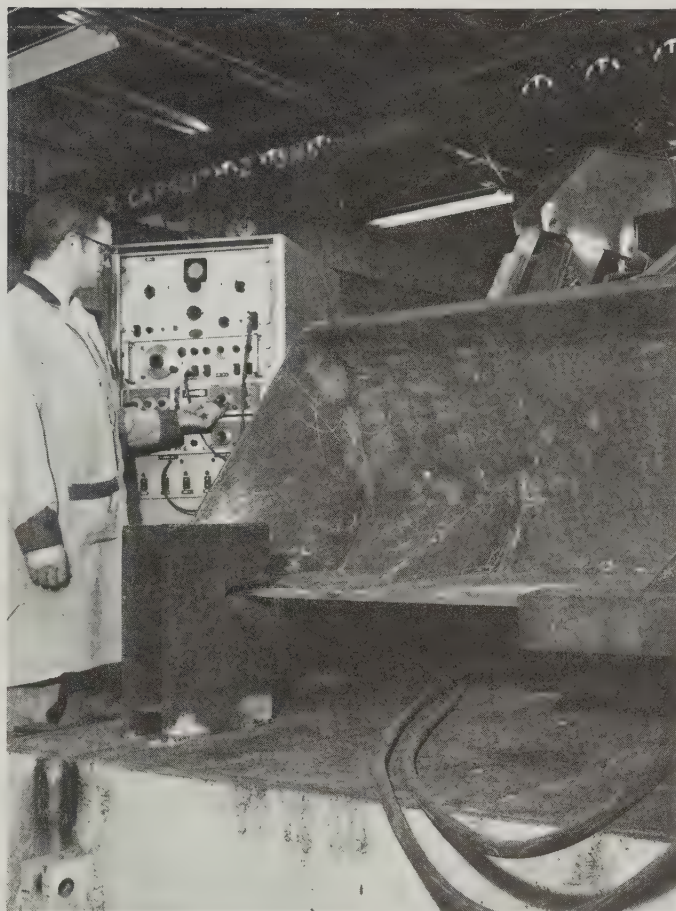
Most of our products have one thing in common; they are production tools for industries that work to schedules and cost controls.

Reliability is therefore much more than a matter of convenience in our products; it is a necessity.

Another factor that influences product design is the constant need for higher productivity, shared by all the industries using our products. Future costs and efficiency in these industries will depend in large measure on the equipment being developed today.

For this reason, our engineers must have a thorough understanding of operating conditions, methods and trends in many key industries, in addition to their technical knowledge. In product development as in many other aspects of our business, we are more than equipment suppliers, we are an integral part of many industries.

Before new designs are released for production, prototype trucks and construction equipment are placed in fleet service, so that IH engineers can monitor performance, economy and reliability. Hamilton-designed agricultural equipment is tested under operating conditions on farms all over North America. This provides for a year-round testing program. It also ensures that the products will conform to various operating conditions throughout our largest export market.



This engineering laboratory test on a loader component condenses months of actual use into a few hours.



Operational safety, combined with modern appearance, is a priority in product design at our Hamilton engineering centre.



Agriculture

As the world looks to Canadian farmers for more and more food, the need increases for higher farm productivity. The 4366 model tractor, pulling two Disk-alls that combine both tillage and seeding operations, is a response to this need.

The IH Cyclo corn planter is an example of how new engineering concepts are assisting in the attainment of greater efficiency. It plants seed by air pressure, for accurate placement and heavier yields.

Agricultural equipment built at Hamilton Plant is used by farmers in many countries.

Distribution is a key factor in agriculture. Here an International Cargostar truck takes milk from a farm to a processing plant.

Harvesting large acreages in Canada's relatively short harvest season is made possible by equipment such as the 915 combine.

Providing farm customers with the parts they need to keep equipment working on schedule is an important dimension of our business. Dealers' inventories are backed by a computerized parts distribution system.



Manufacturing

We manufacture trucks, agricultural, construction and industrial equipment. Components fabricated in our own plants are combined with those from hundreds of suppliers and from International Harvester plants in other countries.

Hamilton Plant has been steadily modernized over the years since its opening in 1903, to keep pace with the changing needs of agriculture and to incorporate new production equipment and methods. All Hamilton Plant products are designed and engineered in Canada.

International Harvester manufacturing operations in Chatham, Ontario began with a wagon works in 1910. The present truck plant builds two major series for the North American market and for overseas. It is the largest manufacturing operation in the Chatham area. It is also a catalyst for growth among many other plants in the area that provide components, materials and services.

Our construction equipment plant in Candiach, Quebec was opened in 1962 and it too has been steadily expanded to keep pace with demand. Nine models of rubber-tired loaders are manufactured at Candiach, as well as a line of log skidders.

The Vancouver Plant of Pacific Truck & Trailer Ltd. manufactures large, specialized trucks used in logging and other extra heavy-duty operations.

Because our plants manufacture such a diverse range of products, there is considerable variation in the production systems and processes.

However, there is a consistent concern for quality control throughout each plant. The nature of our business demands the maximum standard of reliability. We thoroughly test raw materials and purchased components, as well as those sourced in the company's plants.

There are frequent inspections throughout the assembly process and the final inspection is exceptionally thorough. Additional pre-delivery checks are made before products are turned over to the customers.

Before shipment, this Hamilton-built crawler tractor is given a complete final inspection.



The people at the Chatham plant have earned a worldwide reputation for building quality trucks.



Construction

Construction projects, large and small, are becoming increasingly important to the Canadian economy. Major projects would be impossible without the massive power of machines like this International crawler tractor.

The Paystar truck, engineered to meet construction needs, is a familiar model on many construction sites.

International Pay loaders, used in almost every type of loading operation, have helped maintain our position as a leader in construction equipment design.

Our industrial equipment line, represented by a backhoe-loader unit, includes a wide variety of equipment such as wheel and crawler tractors, excavators and forklifts.

The Pay scraper shown here, is one model of several used in high-production earthmoving on construction sites, road building and other applications.

The Candioc Plant, near Montreal, manufactures Pay loaders and Pay loggers.



Marketing

Our marketing operations are strategically located across Canada to concentrate specialized manpower resources close to our dealers, distributors and customers.

This is especially important because of the close involvement of our marketing people with the industries which use our products. One key aspect of this involvement is in the specification of equipment to individual needs. Correct sales engineering is a key to high production, reliability and operating economy. This requires an in-depth understanding of the work to be done. In this regard, our dealers, distributors and their employees provide customers with a service that is integral with our business.

The company has always regarded its dealer and distributor organization as one of its greatest assets. This is increasingly true, as they respond to new opportunities by expanding their resources in manpower, parts and service facilities. The company's business development program fosters efficient management that benefits customers as well as dealers and distributors.

There are 600 independently-owned outlets representing IH across Canada, and 41 company-operated sales and service centres.

The marketing organization is also active in sales to other countries. Our largest export market is the United States. We manufacture the total North American requirements of certain trucks and agricultural machines; a series of medium-duty trucks at Chatham and grain drills, windrowers and other agricultural equipment at Hamilton.

In addition, Canadian-built products are exported to some 70 off-shore markets. We work in close relationship with International Harvester outlets throughout the world and in co-operation with the Canadian government to seek and develop export opportunities.

An important aspect of our marketing activities is the provision to customers of a full range of financing services related to our products. These include purchase, leasing and rental arrangements keyed to the needs of the various industries.

A first-hand knowledge of working conditions is an essential element of sales engineering.



Parts

We have a continuing responsibility to provide replacement parts long after new products have been delivered. We take that responsibility seriously.

The parts distribution centres are the core of the parts system. The master depot is in Burlington, Ontario and others are located in Winnipeg and Edmonton. In addition to the inventories carried at these facilities, stocks of parts are maintained by dealers, distributors, and company-owned outlets.

The scope of the parts supply function is in direct relationship to our broad product range. The 360,000 different parts in the system include many that are seldom requested, others are for equipment no longer manufactured but which must nonetheless be held in inventory. The parts distribution centres are linked by computer with sources throughout North America. In addition, computers speed the processing of the hundreds of parts orders received every day.



Service technicians are kept fully informed of current techniques and data.

Service

The provision of after-delivery service is a high priority requirement to dealers, distributors and the company.

Maintaining today's sophisticated equipment demands highly trained technicians using specialized testing and servicing equipment.

The company operates schools to train techni-

cians and to keep them abreast of new developments. Communications and regular contacts are maintained between company personnel and over 3,500 service technicians who are involved in maintaining and overhauling IH products.

Modern service equipment and proper facilities represent a major investment that, in turn, protects the customer's investment when he purchases our products.

On-the-job maintenance by construction equipment distributors means more productive hours for IH customers.



People

It takes more than a philosophy to meet customer needs and achieve corporate goals. It requires well-trained and dedicated people.

A sense of personal fulfillment is essential if employees are to fully participate in achieving corporate objectives. It is IH policy to keep all doors open to this sense of fulfillment, through development programs to train people for assignments that match their abilities and aspirations.

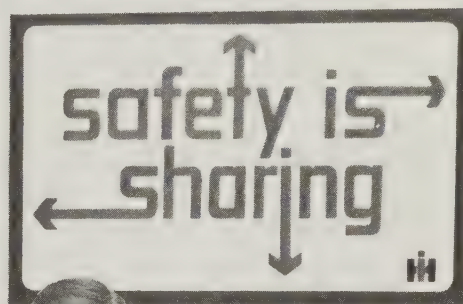
Safety is a paramount concern in all IH operations. Management policies must set the pace with protective equipment and training. But safety programs are most effective when everyone shares a sense of involvement. Our theme "Safety is Sharing" reflects this point-of-view.

The success of International Harvester Canada depends on its people. In turn, that success enables us to meet our responsibilities to customers, employees, dealers, distributors, investors, suppliers . . . and to society as a whole.



Job training, that begins when a new employee joins us, is a continuing process.

Safety programs are based on a full exchange of ideas between everyone involved.



Corporate donations and personal contributions by employees helped build this theatre auditorium.



Social Concerns

What can society expect of a company such as International Harvester?

Customers expect productive, safe and reliable products, backed by dependable parts and service support.

Governments look to business for tax revenues. Business is expected to generate employment opportunities that are secure, rewarding and satisfying. In addition, a company such as ours has a broad community role in supporting the arts, education and other institutions.

From this, one might assume that the only purpose of business is to serve society . . . and that the only measure of a corporation is the fulfillment of its social responsibility.

This view misses a fundamental truth; a primary responsibility of a business enterprise is to be successful. Only then can it earn profits

to invest in product development required to meet customers' changing needs. Only then can it invest in plant expansion to provide the nation's economic foundation through taxes. Only then can it attract capital for growth, and provide investors with an appropriate return.

This relationship between corporate success and social responsibility is often misunderstood. An informed view could lead to a more positive business climate that would contribute greatly to Canada's growth and stability.

Like other companies, we contribute through taxes to educational, medical, cultural, and other institutions. We also contribute in a more direct way. Along with many of our dealers and distributors, we are involved in youth activities and other volunteer services. We see this not only as a responsibility, but as sharing in activities that benefit everyone.



Involvement with young peoples' activities is a long-standing tradition with International Harvester.

Resource Development

International Harvester products are used extensively in the development and conservation of Canada's natural resources.

Fast-moving Pay loaders team up with International Pay hauler trucks in quarries and open pit operations.

The Pay logger provides one answer to the need for high-production efficiency in the forest industry.

International excavators with tree harvester equipment are replacing hard-to-get manpower in many areas.

Our Pacific Truck & Trailer Ltd. plant in Vancouver custom-builds trucks for logging, coal hauling and other extra-heavy-duty requirements.

Solar gas turbines provide power for petroleum production and pipeline operations. We recently established this Solar power support centre in Edmonton.

The International line of crawler tractors builds access roads and performs many other duties in natural resource industries.



Recreation

Many of our products make more leisure time available and also the means to appreciate it.

Design features, such as wide track stability and truck-type construction make the International pickup ideal for the task of carrying a camper unit.

Towing is second nature to a Travelall. With a truck's strength and power, it can comfortably pull a large trailer or boat.

Many Canadians are finding new places to go with the all-wheel-drive International Scout.

While the Cub Cadet tractor is a distant cousin of the giant IH farm tractors, it is engineered with the same concern for reliable performance.

One of winter's chores is easy with an International snow-blower. We offer a wide range for the suburban driveway or a long farm lane.



The Future

The continuing growth of International Harvester Canada will parallel the growth of the vital industries using our products. Whether one looks at resource development, agriculture, construction or transportation, there is a need for dramatic expansion in the coming decades. As a major source for food, raw materials and manufactured goods, Canada will call on the industries we serve to help meet expanding global needs.

There is every reason to anticipate continuing growth for International Harvester Canada, and it is equally true that there must be far-sighted

planning to meet new needs long before they arise.

Through our marketing research group we are assessing all available data on the future requirements of the industries that use our products. Top management people are developing long-range plans for the manufacturing, sales and service capabilities that will be required in the years ahead.

International Harvester will continue to fully participate in the economic life of Canada, as the future brings new challenges and opportunities for us all.

Computers play a major role in our day-to-day operations and in planning for the future.





INTERNATIONAL HARVESTER COMPANY OF CANADA, LIMITED
General Offices: 208 Hillyard Street, Hamilton, Ontario, L8N 3S5

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